In the Supreme Court
OF THE
United States

OCTOBER TERM, 1940

No. 589

A. A. NEWHOUSE, J. R. MASON and MARY E. MORRIS,
Petitioners,

vs.

CORCORAN IRRIGATION DISTRICT,
Respondent.

RESPONDENT'S REPLY TO PETITION FOR WRIT OF CERTIORARI
to the United States Circuit Court of Appeals for the Ninth Circuit.

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Subject Index

Table of Authorities Cited

Cases

Codes and Statutes

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To the Honorable Charles Evans Hughes, Chief Justice of the United States, and to the Associate Justices of the Supreme Court of the United States:

Corcoran Irrigation District herewith replies to the petition for writ of certiorari in the above entitled matter, and prays that said petition be denied.

In its opinion herein the court below referred to its decision in *West Coast Life Insurance Company v. Merced Irrigation District* (114 F. (2d) 563) for its discussion of the principal legal points involved herein. A petition for writ of certiorari has been filed in that case. We respectfully suggest that the petition herein be considered at the same time as the petition therein.

STATEMENT OF THE CASE.

The facts of the case are so admirably stated in the opinion of the trial judge that we shall not burden the Court with a restatement herein. (R. 59-64.)

ARGUMENT.

I. THE DECISION HEREIN DOES NOT VIOLATE THE DOCTRINE OF THE LOS ANGELES LUMBER PRODUCTS COMPANY CASE. THE EVIDENCE CLEARLY SHOWS THAT THE DISTRICT WAS UNABLE TO MEET ITS DEBTS AS THEY FELL DUE AND THAT THE PLAN PROPOSED IS FAIR AND EQUITABLE. (Pet. Br. p. 27.)

1. The court below carefully observed the principles established in the Los Angeles Lumber Products Company case.

The *Los Angeles Lumber Products Company* case (308 U.S. 106), so strongly relied upon by petitioners, seems to hold (a) that consent of creditors exceeding the statutory requirements is not evidence that the plan is "fair or equitable" in a reorganization proceeding under 77B, and (b) as a matter of law the plan is not "fair or equitable" if stockholders in an insolvent corporation having liabilities in excess of its

assets are allowed to participate before the full value of the property is first applied to the claims of bondholders.

The opinion of the court below herein adopts the opinion of the trial court with the following condition only (R. 364, 365):

> "We withhold from our approval all of those remarks found in said opinion which intimate that the acceptance of the plan by the holders of a large percentage of the principal amount of the bonds should have any influence in determining the fairness of the plan."

Other than in its statement of facts, there are but two sentences only in the opinion of the trial court in which reference is made to "the acceptance of the plan by the holders of a large percentage of the principal amount of the bonds." (The first beginning in last line of R. 74, and the second beginning in second line of R. 77.) Each sentence may be stricken without in any way impairing the force and logic of the opinion.

The condition was undoubtedly imposed by the court below for the very purpose of safeguarding its own opinion from any criticism of asserted conflict with the doctrine of the *Los Angeles Lumber Products Company* case. That case dealt with a reorganization proceeding under 77B, and seems to recognize that "composition" may be different from "reorganization". (Footnote 14.) It is unnecessary for us to press the distinction herein, as the court below in its opinion places no weight upon the fact that R. F. C. holds 92.6% of all outstanding bonds in this case.

The actual fairness of the plan is hereinafter considered under appropriate headings, it being essential, in this connection, to realize that we are here concerned with a taxing agency, not a private corporation.

2. There is a clear distinction in "composition" cases between the word, "insolvency", and the phrase, "inability to pay debts as they mature."

Throughout their discussion of the first subdivision of their argument, petitioners fail to recognize that they are here dealing with a *taxing agency*. The cases cited by them deal with the ordinary business enterprise. This Court knows that an irrigation system, no matter what it costs and no matter what the so-called "market value" of the lands irrigated by it may be, has no value separate from the *earning capacity* of such lands. Unless the farmers can be kept on the land and assessments kept within the ability to pay, default is inevitable.

Under the provisions of the Act (11 U. S. C. A. 403 [a]), either *insolvency* or *inability to pay its debts* as they mature gives the Court jurisdiction to entertain a plan of composition. This point is so ably discussed in the opinion of the trial court (R. 65-70) that we need not amplify it here. The court therein cites and quotes from the leading case dealing with railroad reorganizations under Section 77 of the Bankruptcy Act, *Continental Bank v. Rock Island Railway,* 294 U. S. 648, in which the clear distinction is drawn between the word, *"insolvency",* and the phrase, "unable to meet its debts as they mature". It is clear that the latter condition may exist in "reorganization" and

"composition" cases although the debtor has an excess of assets over liabilities.

In the *Bekins* case, 304 U. S. 27, 47, in speaking generally of proceedings for compositions under the Bankruptcy Act, this Court said:

> "It is unnecessary to the validity of such a proceeding that it should result in an adjudication of bankruptcy."

In support of its position that the operating properties of the District and the lands within the District "cannot be disposed of as in the ordinary bankruptcy proceeding for the benefit of the debtor" (R. 365), the court below cited *Clough v. Compton-Delevan Irrigation District,* 12 Cal. (2d) 385, 388, 389, 85 Pac. (2d) 126, 128, wherein it is said:

> "[1-3] There is, first, no lien nor resulting trust arising from the purchase of the bonds. The statute fully defines the relationship of bondholders, district and landowners. *Nowhere does it declare that the bondholder has a lien on the land itself, and it certainly does not recognize any trust for his sole benefit.* Section 29 provides that the title to land acquired by the district shall vest in the district, 'and shall be held by such district, in trust for, and is hereby dedicated and set apart to the uses and purposes set forth in this act.' The property is by this language impressed with the public use, and the trust is for all the purposes of the act. Payment of the bondholders is such a purpose, as we have held in the Provident Land Corporation Case, supra; *but there are other purposes as well, and the bondholders cannot be con-*

sidered exclusive beneficiaries, even if the doubtful assumption be made that they, as individuals, are beneficiaries at all. Indeed, it is futile to attempt to discover the 'beneficiaries' of the statutory trust created by section 29. It is enough to point out that it is an active trust for public uses and purposes, and to permit partition of the land which constitutes its corpus would mean the destruction of the trust, in violation of the statute. The same considerations of policy which make this property exempt from execution (see El Camino Irrigation District v. El Camino Land Corporation, supra) are equally applicable to any attempt to take the same by partition." (Italics ours.)

3. The financial statements of the District conclusively show that it cannot meet its debts as they mature under the bond indebtedness of $733,000.

That the water supply available to the District is greatly inadequate for its needs is indisputably shown by the record. (R. 99-108.) Every farmer in the District has to maintain his own pumping plant in order to serve his crops with the water necessary to mature them. (R. 108.)

Petitioners contrast the bonded indebtedness per acre of Corcoran District with that of three other districts. (Br. p. 38.) Those three districts have perfect water supplies and the irrigators therein do not have to install and operate individual plants, which is the case in this District. The "Table of Water Costs" (R. 137) shows that the *annual* individual pumping costs in this District average $8.30 per acre for the

irrigation of cotton and $12.50 per acre for the irrigation of alfalfa.[1]

In its annual reports to the Districts Securities Commission the District included reports on the crops raised in the District. A summary of such crop reports for the years 1934 to 1938, inclusive, was received in evidence herein as Exhibit No. 5. (R. 124-128.) Exhibit No. 6 is a "Table of Water Costs" for the years 1934-1938, inclusive. (R. 137.) An examination of the crop reports and water costs shows that the farmers of the District have been operating at a loss. To illustrate this point we shall briefly consider the returns from cotton—the main crop of the District—for the years 1937 and 1938. As shown in Exhibit No. 6 (R. 137), the cost for water served *by the District* for cotton in 1937 and 1938 was $1.80 and $1.69 per acre, respectively. The *individual pumping cost* was $8.30 per acre in addition—making a total water cost for cotton in 1937 of $10.10 per acre, and in 1938 of $9.99 per acre. The "value" per acre to the farmer for cotton in 1937 was $5.70 per acre, and $3.20 per acre in 1938. (R. 127, 128.) It is apparent that the "value" per acre of cotton in 1937 and 1938 was much less than the water costs—without considering the additional irrigation district tax of $1.40 per acre in 1937 and $1.50 per acre in 1938. (R. 127, 128.)

The Financial Statements of the District, introduced as Exhibit No. 7 (R. 140 to 143), cover the years 1929

1. The comments of the trial judge on the inadequacy of the water supply of the District are set forth in R. 62, 63.

to 1938, inclusive. In the lowest bracket ("Assessment Data") of the first two pages of Exhibit No. 7, the "% Delinquent" for each fiscal year is given. It is noteworthy that the delinquencies ran as follows: 1930-1, 21.5%; 1931-2, 32.34%; 1932-3, *40.7%;* 1933-4, *46.93%;* 1934-5, 21.04%; 1935-6, 26.19%; and 1936-7, 13.93%. The last line of the bracket shows the "% Delinquent Jan. 10, 1939." The percentage there given is exclusive of the lands deeded to the District. (4,701.23 acres—9.1% of the area of the District—R. 122.) The said line shows a remarkable recovery in the percentage of delinquencies—the largest percentage remaining as of date Jan. 10, 1939, being 7.13% for 1933-4.

An examination of the statements discloses that the aforesaid remarkable recovery was largely due to the redemptions ("Tax certificates & interest") in 1937, which amounted to $54,537.86, as contrasted with $15,948.35 for 1936, $18,020.97 for 1935, $20,511.69 for 1934, $5,946.62 for 1933, $14,909.96 for 1932; and $12,731.22 for 1931. *The large amount of redemptions in 1937 was undoubtedly due to the renewed confidence of farmers in the District due to the then assured assistance of R. F. C. in the refinancing of the District.*

On the bottom of the last two pages of Exhibit No. 7, the "Bond and Interest Default" is given. (R. 142, 143.) The first default shown is for bond principal—$3,000 in 1933. Although the first actual default occurred in 1933, the item "7% Warrants Issued" under "Receipts" shows that warrants were issued in 1929,

1930, 1931, 1932 and 1933. As such warrants are in effect promissory notes, that means that the District had to borrow money in the period 1929-1933, inclusive, to pay the general expenses of the District. (R. 152.) That means, further, that the District kept the Bond Fund intact in the years 1929-1932, inclusive, by contributions from the General Fund. *It is certain that the District would have been in default in 1929, had it not drawn upon its General Fund to pay the bond interest due on July 1st of that year.*

Petitioners contend that the gross revenue of the District was sufficient to pay all the general expenses of the District and the matured bond principal and matured bond interest during the period 1933-1938, inclusive. To show the error of that contention we submitted to the court below and to the trial court, and attach hereto as Schedule A, an analysis of the Financial Statements of the District (Exhibit No. 7) for said years. Schedule A shows that following petitioners' hypothesis, the deficit on January 1st of each year, after paying the bonds and interest due on that day, would have been as follows:

January 1,	1934.....	$29,202.53
"	1935.....	61,124.86
"	1936.....	72,917.23
"	1937.....	86,941.56
"	1938.....	40,791.88
"	1939.....	57,787.53

With the exception of the hypothetical payment of bond principal and interest, all of the figures used in

Schedule A are taken from the Financial Statements (R. 140 and 141) showing the "Receipts" and "Disbursements". It is true that the item, "Capital Expenditures", under "Disbursements", includes money spent for mutual water stock, wells and gas engines. Without that expenditure, the amount of water supplied in the year of the expenditure, and the amount of money collected in water tolls, would have been materially less. Even if we should subtract the "Capital Expenditures" from the "Disbursements" for each year, a heavy deficit would remain on January 1 of each year. The "Capital Expenditures" are as follows (R. 140, 141): 1933, $64.75; 1934, $11,649.26; 1935, $10,556.34; 1936, $30,395.78; 1937, $22,385.65; 1938, $15,013.59. There is no way of telling how much the "water tolls" for each year would have been decreased if the "Capital Expenditures" had not been made. It is certain that they would have been materially lessened.

Schedule A is made on the basis that bond principal and interest payable January 1st of one year must be on hand December 31st of the preceding year. The interest paid to R. F. C. in 1937 and 1938 is deducted from the actual total disbursements for each of the years. As such interest payments are generally considered as refinancing accounts, by deducting them in the analysis we have presented the results in the most favorable way from the viewpoint of petitioners. As previously stated, the recovery of the District in 1937 should be attributed to the assistance of R. F. C. in the

plan of debt readjustment. It is certain that the financial status of the District would have been very different if R. F. C. had refused assistance.

4. The plan of debt composition proposed by the District is fair and equitable.

This point is excellently covered by the trial court in its opinion. (R. 74, 75.) The court below adopted the opinion of the trial court, and specifically held "that the plan proposed was fair and equitable." (R. 364.)

Petitioners (Br. pp. 58, 59) cite and quote from the opinion of the court below in *Fano v. Newport Hts. Irr. Dist.*, 114 F. (2d) 563, filed the same day the opinion herein was filed, September 5, 1940. The two opinions were written by Circuit Judge Stephens.

The Newport Hts. Irr. Dist. comprised approximately *1,500* acres only, a part of which had become residental rather than agricultural. Through money secured in large part from R. F. C., the District rehabilitated its irrigation system at a cost in excess of $50,000. It was this heavy reconstruction cost which caused a deficit in the accounts of the District. On this point the Court said (114 F. (2d) 565):

> "We think the deficit has been caused by the reconstruction of the system and the diversion of tax moneys to the payment therefor, a sufficient part of which moneys could have been allocated to the interest fund. Thus we see, it was not the disability of the District to support itself, but the payment for heavy betterments practically upon a cash basis that brought about the embarrassment."

The *Newport District* case serves to illustrate the care with which the court below has examined the records in these cases. At the time it had the Newport District's affairs under consideration, it was also examining the record in this case. It was after its careful examination of the record that it reached the conclusion that the opinion of the trial judge "correctly and sufficiently treats of the financial distress of the District and the plan for relief through the Reconstruction Finance Corporation, * * *". (R. 364.)

In arguing that the security is many times the bonded indebtedness of the District, petitioners make much of the statement of the Secretary of the District that the value of lands in the District would run "from seventy-five to one hundred dollars an acre". (R. 262.) The only recent sales to which the Secretary referred were at the upper end of the District where the lands are of poorer quality and sold for $12.50 per acre. (R. 261.) The so-called "market value" of agricultural lands is somewhat fictional. If we base that value on the ability of the land to pay in this District, it would necessarily be but little.

Regardless of the question of market value of lands, however, we must emphasize the fact that regarding lands in an irrigation district "there is no lien nor resulting trust arising from the purchase of the bonds." (*Clough v. Compton-Delevan I. D.*, 12 Cal. (2d) 388—quoted from hereinabove.) The lands can only be reached through the levy of assesments. The landowner cannot free his land of its bonded indebtedness by the payment of a stated amount. He must pay

his annual assessments when due, and as his neighbors default his tax burden becomes correspondingly greater. It is this "pyramiding" of taxes which defeats the application of any theory of market value of lands in a taxing agency.

To determine whether the plan of a taxing agency is fair the fundamental question must be, what can the debtor pay—what is the maximum bearable debt load of the District? It avails the bondholder nothing if that load is exceeded. This point is recognized by Chief Justice Hughes in the *Bekins* case (304 U. S. 53, 54), wherein he said:

> "As the owners of property within the boundaries of the district could not pay adequate assessments, the power of taxation was useless. The creditors of the district were helpless."

On the question of the fairness of the plan herein, we direct attention to the fact that R. F. C., after its thorough examination of the properties of the District, and of the crop situation therein, refused to contribute over 65.791 cents on the dollar for the purchase of bonds. The District was forced to pay the remaining 9.209 cents to make up the 75 cents on the dollar demanded by the Bondholders' Committee.

II. SECTION 83 IS NOT UNCONSTITUTIONAL IN ITS APPLICATION HERE. THE FACT THAT LANDS WITHIN THIS DISTRICT LIE IN OTHER OVERLAPPING TAXING AGENCIES AND ARE SUBJECT TO PRIVATE MORTGAGES DOES NOT AFFECT THE PLAN OF COMPOSITION. (Pet. Br. p. 59.)

Petitioners argue that Section 83 is unconstitutional in its application here because it contained no provisions for bringing in (1) taxing agencies or bondholders of other taxing agencies which overlap this District, and (2) private mortgages upon lands within the District. Petitioners are unable to cite any authority at all in point for their bizarre theory. If it were tenable, it would put an end to all attempts to accomplish reorganizations or compositions under bankruptcy statutes. Regarding reorganizations, the lands and rights of way of railroads are often included in improvement districts, as well as school districts and other more common forms of taxing agencies.

In *Luehrmann v. Drainage Dist. No. 7,* 104 F. (2d) 696, 700, the trial court had found:

> "When the lands become delinquent for drainage taxes they also generally become delinquent for State and County Taxes and for taxes to St. Francis Levee District, which latter overlaps the entire territory of petitioner. Hence there are three tax titles outstanding against such forfeited lands, one to the drainage district, one to the Levee district, and one to the State of Arkansas."

On November 6, 1939, this Court denied the petition for writ of certiorari in the *Luehrmann* case, under the name, *Haverstick v. Drainage District No. 7,* 308 U. S. 604.

In disposing of this point in the *Merced* case, the court below said (114 F. (2d) 674):

> "The obligations of mortgages or bonds of overlapping agencies are simply not affected by the plan."

III. R. F. C. DID OWN BONDS TAKEN UP, AND COULD AND DID GIVE ITS CONSENT TO THE PLAN OF COMPOSITION. (Pet. Br. p. 65.)

The principal argument of petitioners on this point is that R. F. C. is not, and was not, an owner of any bonds of the District, and that it was a mere lender of money to the District.

The same argument has been presented in all the recent bankruptcy cases in which the financing was done by R. F. C.

Judge Yankwich in his opinion herein carefully considered this point with reference to the record, beginning with the sentence, "There is no substance to the contention that the Reconstruction Finance Corporation is not a creditor." (R. 71-74.)

In the *Merced* case, 114 F. (2d) 665-669, the court below very fully discussed the point under the caption, "Is Reconstruction Finance Corporation a Creditor Affected by the Plan?" At pages 668, 669, the court cited and quoted from the *Luehrmann* case, 104 F. (2d) 696, on this point with the following conclusion:

> "[10] We agree entirely with the decision of the Court in the Luehrmann case, supra, and hold that R. F. C. is entitled to be classed as a 'creditor affected by the plan.' "

As previously noted, certiorari was denied in the *Luehrmann* case, 308 U. S. 604.

The resolution of R. F. C. (Exhibit No. 9, R. 163) and the accepting resolution of the District (Exhibit No. 10, R. 192) constitute the contract between R. F. C. and the District. The two follow a standard form used generally by R. F. C. in cases of this kind. The acceptance by R. F. C. of the plan of debt composition of the District is set forth in Exhibit "B", attached to the amended petition to the District herein. (R. 11.)

The fact that the District in this case contributed a portion of the money for the purchase of the bonds by R. F. C. does not affect the established rule. The first loan approved by R. F. C., on June 27, 1934, was for $442,000, for the purpose of purchasing the outstanding bonds at 59.959 cents on the dollar. The holders of approximately 56.34% of the bonds accepted that offer and deposited their bonds in escrow. (R. 158.) However, the opposition of the Bondholders' Committee was so great that the District had to abandon the plan of purchasing the bonds at that price. R. F. C. finally agreed to increase its loan so that 65.791 cents might be paid from it for each dollar of bond, and the District arranged to add 9.209 cents to meet the demand of 75 cents per dollar insisted upon by the Bondholders' Committee. (R. 159.) R. F. C. now holds *679* of the outstanding *733* bonds—which holding amounts to 92.6% of all outstanding.

The contribution by the District in the purchasing of the bonds emphasizes the fairness of the present

plan. R. F. C. did not feel justified in advancing beyond 65.791 cents on the dollar. The balance of the 75 cents demanded had to be made up by the District.

Other California Irrigation Districts have contributed some part of the price paid by R. F. C. for bonds. Among them are Banta-Carbona Irrigation District, whose plan of debt composition was confirmed by Judge Louderback on January 9, 1940, Glenn-Colusa Irrigation District, with plan confirmed by Judge Louderback on April 16, 1940, and Waterford Irrigation District, with plan confirmed by Judge Roche on February 29, 1940.

IV. THE PLAN OF COMPOSITION WAS NOT DISCRIMINATORY IN THAT R. F. C. AND NO OTHER BONDHOLDER WAS OFFERED NEW BONDS PLUS INTEREST AT 4%. (Pet. Br. p. 72.)

The fact that the taxing agency has paid 4% interest per annum to R. F. C. for money expended by it in purchasing the bonds of the agency has been pressed in all of these cases by the objecting bondholders. Judge Yankwich treated the point in that part of his opinion beginning as follows (R. 74, 75):

> "A study of the entire record and a history of the difficulties of this district leads to the inevitable conclusion of fairness and equitableness of the proposed plan. All bondholders are treated alike. The fact that interest was paid to the Reconstruction Finance Corporation does not militate against the fairness of the plan."

In the *Merced* case, the Court considered this point in subdivisions [24] and [25], 114 F. (2d) 677. It therein quoted in support of its conclusion an excerpt from *Zavelo v. Reeves,* 227 U. S. 625, 632.

We have hereinabove cited the Arkansas case, *Luehrmann v. Drainage District No. 7,* in which this Court denied a writ of certiorari. (308 U. S. 604.) In that case in the District Court it was held with reference to the point now under consideration as follows (25 F. Supp. 380):

> "I therefore uphold the plan as against the contention of unfairness because of full payment to the governmental agency and on the contrary believe in that respect it was not only fair but it is also quite evident that the success of the plan was dependent upon those two loans and the Government would not and could not have advanced the money without provisions for its full repayment."

V. SECTION 83 DOES APPLY TO DEBT COMPOSITIONS OF CALIFORNIA IRRIGATION DISTRICTS. (Pet. Br. p. 74.)

In the *Merced* case, the court below considered this point under the caption, "Jurisdiction of the Court under the Statute", 114 F. (2d) 662, 663. It therein examined and quoted from the *Bekins* case, 304 U. S., page 51 and page 54, and reached the following conclusion (p. 663):

> "The premise upon which the Appellants base their entire argument having fallen, there is nothing left to their point. The Bekins case held with-

> out question that the Act is constitutional as applied to a California Irrigation District, organized under the same California Statute as the one here involved. That case is binding upon us."

This point was pressed before the court below and argued at length in the hearing before it on this series of cases in January, 1940. Since that time, the Supreme Court of California has decided the case of *Peoples State Bank v. Imperial Irr. Dist.,* 101 Pac. (2d) 466. (Rehearing denied May 16, 1940.) In that case the questions before the Court were clearly stated as follows (p. 467):

> "The contentions of the appellant are (1) that an irrigation district organized under the laws of this state is a governmental agency and as such is not subject to said chapter X (now chap. IX) of the United States Bankruptcy Act, and (2) that the state has not given its consent to the filing of a petition for composition of its debts by an irrigation district under the Bankruptcy Act of the United States, as amended by the enactment of said chapter X (now chap. IX) thereof."

The Court then proceeded to show by quoting numerous excerpts from the *Bekins* case that the questions had been determined adversely to the contentions of appellant by this Court in that case. The California court concluded its consideration of the *Bekins* case as follows (p. 468):

> "[1, 2] The Bekins case, in our opinion, effectually establishes the validity and constitutionality of both chapter 4 of the 1934 Extra Session Stat-

utes, and chapter X (now chap. IX) of the United States Bankruptcy Act. We are in thorough accord with the views therein expressed, and particularly in respect to its conclusion as to the constitutionality of the statute of our own state. (Chap. 4 of the 1934 Extra Session Statutes.)"

VI. CONCLUSION.

It is respectfully submitted that the petition for writ of certiorari should be denied.

Dated, San Francisco, California,
December 9, 1940.

F. G. ATHEARN,
MILTON T. FARMER,
Attorneys for Respondent.

A. E. CHANDLER,
Of Counsel.

(Schedule A Follows.)

Schedule A

Analysis of Financial Statements
Corcoran Irrigation District
for the Years 1933-1934-1935-1936-1937-1938.
Showing BALANCES that would have occurred if the District had paid BOND & INTEREST MATURITIES each year from the GROSS REVENUE of the District.

		1933 (R-140)		
Dec. 31, 1933	Total Disbursements in 1933		$107,642.27	
	DEDUCT			
	Bonds paid in 1933	$ 7,000.00		
	Coupons Paid in 1933	26,597.60	33,597.60	
			74,044.67	
	Amount required for Bond Service in 1933 and Jan. 1, 1934, from CASH BALANCE Jan. 1, 1933, and Collections for the year 1933.			
	Jan. 1, 1933, Bond Principal	$10,000.00		
	Bond Interest	22,200.00		
	July 1, 1933, Bond Interest	21,900.00		
	Jan. 1, 1934, Bond Principal	10,000.00		
	Bond Interest	21,900.00	86,000.00	
Jan. 1, 1934	Cash required to meet obligations in 1933 and Jan. 1, 1934			$160,044.67
Jan. 1, 1933	Cash on hand from 1932 Collections		$ 28,856.50	
Dec. 31, 1933	Total Cash Collections in 1933		108,464.72	
			137,321.22	
	Less 7% Warrants sold in 1933		6,479.08	130,842.14
Jan. 1, 1934	Deficit if Bonds and Coupons had been paid			$ 29,202.53

Analysis of Financial Statements
Corcoran Irrigation District
for the Years 1933-1934-1935-1936-1937-1938.
Showing BALANCES that would have occurred if the District had paid BOND & INTEREST MATURITIES each year from the GROSS REVENUE of the District.

1934 (R-141)

Dec. 31, 1934	Total Disbursements in 1934		$110,023.39	
	DEDUCT Coupons Paid in 1934		16,510.07	
			93,513.32	
	Amount required for Bond Service July 1, 1934, and Jan. 1, 1935, from Collections for the year 1934.			
	July 1, 1934, Bond Interest	$ 21,600.00		
	Jan. 1, 1935, Bond Principal	10,000.00		
	Bond Interest	21,600.00	53,200.00	
	Add Deficit Jan. 1, 1934		29,202.53	
	Add Interest 7%—1 year on deficit		2,044.18	
Jan. 1, 1935	Cash required to meet obligations in 1934 and Jan. 1, 1935			$177,960.03
Dec. 31, 1934	Total Cash Collections in 1934			116,835.17
Jan. 1, 1935	Deficit if Bonds, Coupons and Jan. 1, 1934, deficit had been paid			$ 61,124.86

Corcoran Irrigation District
for the Years 1933-1934-1935-1936-1937-1938.
Showing BALANCES that would have occurred if the District had paid BOND & INTEREST MATURITIES each year from the GROSS REVENUE of the District.

1935 (R-141)

Dec. 31, 1935	Total Disbursement in 1935		$86,664.23	
	DEDUCT Coupons Paid in 1935		820.05	
			85,844.18	
	Amount required for Bond Service July 1, 1935, and Jan. 1, 1936, from Collections for the year 1935			
	July 1, 1935, Bond Interest	$21,300.00		
	Jan. 1, 1936, Bond Principal	20,000.00		
	Bond Interest	21,300.00	62,600.00	
	Add Deficit Jan. 1, 1935		61,124.86	
	Add Interest 7%—1 year on deficit		4,278.73	
Jan. 1, 1936	Cash required to meet obligations in 1935 and Jan. 1, 1936			$213,847.77
Dec. 31, 1935	Total Cash Collections in 1935			140,930.54
Jan. 1, 1936	Deficit if Bonds, Coupons and Jan. 1, 1935, deficit had been paid			$ 72,917.23

Analysis of Financial Statements
Corcoran Irrigation District
for the Years 1933-1934-1935-1936-1937-1938.
Showing BALANCES that would have occurred if the District had paid BOND & INTEREST MATURITIES each year from the GROSS REVENUE of the District.

1936 (R-141)

Dec. 31, 1936	Total Disbursements in 1936		$102,671.92	
	DEDUCT Coupons paid in 1936		1,007.84	
			101,664.08	
	Amount required for Bond Service July 1, 1936, and Jan. 1, 1937, from Collections in the year 1936.			
	July 1, 1936, Bond Interest	$20,700.00		
	Jan. 1, 1937, Bond Principal	20,000.00		
	Bond Interest	20,700.00	61,400.00	
	Add Deficit Jan. 1, 1936		72,917.23	
	Add Interest 7%—1 year on deficit		5,104.20	
Jan. 1, 1937	Cash required to meet obligations in 1936 and Jan. 1, 1937			$241,085.51
Dec. 31, 1936	Total Cash Collections in 1936			154,143.95
Jan. 1, 1937	Deficit if Bonds, Coupons and Jan. 1, 1936, deficit had been paid			$ 86,941.56

Analysis of Financial Statements
Corcoran Irrigation District
for the Years 1933-1934-1935-1936-1937-1938.
Showing BALANCES that would have occurred if the District had paid BOND & INTEREST MATURITIES each year from the GROSS REVENUE of the District.

1937 (R-141)

Dec. 31, 1937	Total Disbursements in 1937		$168,011.46
	DEDUCT $92.09 per Bond for 648 Bonds deposited in Escrow for RFC	$59,674.32	
	Interest Paid to RFC	13,967.81	
	On Account of Coupon	16.73	73,658.86
			94,352.60
	Amount required for Bond Service July 1, 1937, and Jan. 1, 1938, from Collections in 1938.		
	July 1, 1937, Bond Interest	$20,100.00	
	Jan. 1, 1938, Bond Principal	20,000.00	
	Bond Interest	20,100.00	60,200.00
	Add Deficit Jan. 1, 1937		86,941.56
	Add Interest 7%—1 year on deficit		6,085.90
Jan. 1, 1938	Cash required to meet obligations in 1937 and Jan. 1, 1938		$247,580.06
Dec. 31, 1937	Total Cash Collections in 1937		206,788.18
Jan. 1, 1938	Deficit if Bonds, Coupons and Jan. 1, 1937, deficit had been paid		$ 40,791.88

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1938 (R-141)

Dec. 31, 1938	Total Disbursements in 1938		$88,014.29	
	DEDUCT $92.09 per Bond for 30 Bonds deposited in Escrow for RFC	$ 2,762.70		
	Interest Paid to RFC	17,467.41	20,230.11	
			$67,784.18	
	Amount required for Bond Service July 1, 1938, and Jan. 1, 1939, from Collections for 1938.			
	July 1, 1938, Bond Interest	$19,500.00		
	Jan. 1, 1939, Bond Principal	20,000.00		
	Bond Interest	19,500.00	59,000.00	
	Add Deficit Jan. 1, 1938		40,791.88	
	Add Interest 7%—1 year on deficit		2,856.60	
Jan. 1, 1939	Cash required to meet obligations in 1938 and Jan. 1, 1939			$170,432.66
Dec. 31, 1938	Total Cash Collections in 1938			112,645.13
Jan. 1, 1939	Deficit if Bonds, Coupons and Jan. 1, 1939, deficit had been paid			$ 57,787.53

(Note 1): The bond interest given in the above schedule is the correct amount of interest due on the dates specified. To illustrate: On Jan. 1, 1933, there was due interest for six months on $740,000 at 6% per annum, amounting to $22,200. On July 1, 1933, there was due interest for six months on $730,000 at 6% per annum, amounting to $21,900. The total of the two payments for 1933 is $44,100, and not $43,800 as indicated in Morris Exhibit A (R. 299).

(Note 2): Interest at 7% is charged each year on the deficit shown on Jan. 1 of that year, as that rate would have to be paid (1) for money borrowed on warrants or (2) on unpaid bonds or coupons as provided in Section 31a of the California Irrigation District Act.

Due service and receipt of a copy of the within is hereby admitted

this_____day of December, 1940.

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Attorneys for Petitioners.